GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5279
ANSWERED ON:29.04.2005
LOANS TO SSI
Chandrappan Shri C.K.;Mandal Shri Sanat Kumar;Panda Shri Prabodh;Reddy Shri Suravaram Sudhakar

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government is aware of the fact that central agencies and commercial banks taken an unusually long time, causing problems for entrepreneurs for the development of the small scale industries in the country;

(b) if so, the steps taken or to be taken by the Government in this regard;

(c) the number of entrepreneurs provided loans upto Rs. 25 lakh without any collateral security from banks and financial institutions, State-wise;

(d) whether collateral guarantee is required for obtaining bank loan by Kashmiri migrants for setting up small scale industries;

(e) if so, the details thereof; and

(f) the steps taken by the Government to remedy the situation?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) No, Sir. It is not a fact that dispensing of loans to SSI units takes unusually long time. The steps taken by Government/RBI to ensure adequate and timely credit flow to SSI Sector are given in the statement enclosed.

(c) RBI has reported that they do not capture data on loans upto Rs. 25.00 lakh without any collateral security from Banks and Financial Institutions State-wise. The number of accounts and amount outstanding without collateral security as on 31st December, 2004 are given below:â€”

(Rs. in lakhs)

Loands upto Rs.	Number of Accounts	Amount Outstanding
25,000	635302	107415
1,00,000	247844	145592
5,00,000	59024	108110
15,00,000	5568	43647
25,00,000	1322	23061

(d) to (f) Collateral guarantee is not required for obtaining bank loans upto Rs. 5,00,000/- by entrepreneurs including Kashmiri Migrants for setting up of Small Scale Industries. If any specific complaint is received for insistence of collateral security the matter is investigated and remedial action is also taken.

Statement

(i) To make available timely credit to the sector a time frame has been fixed for disposal of loan applications i.e. upto Rs. 25000/- within 2 weeks and upto Rs. 5 lakh, within 4 weeks, provided the loan applications are complete in all respects and accompanied b`y a `check list`.

(ii) Banks to ensure that out of their total funds lent to SSI sector, at least 40% should be made available to units with investment in plant and machienry upto Rs. 5 lakh and Rs. 25 lakh.

(iii) Increase in the exemption limit for all SSI borrowai accounts for obtention of collateral security for loans from the existing Rs. 15

lakh to Rs. 25 lakh.

(iv) Composite loan limit has been increased from Rs. 50 iakh to Rs. 1 crore.

(v) Collateral free loan upto Rs. 25 lakh is covered for guarantee under the new Credit Guarantee Scheme for Small Industries.

(vi) Banks have been advised to set the interest rate on advances keeping in view prevailing general southward movement in interest rates.

(vii) Banks have been advised to adopt the method of computation of working capital requirement of SSI units, on the basis of simplified method of minimum 20% of the projected annual turnover of the borrowing unit for limits upto Rs. 5 crore.

(viii) Banks have been advised to open at least one Specialised SSI branch in each district.

(ix) Banks have been advised to develop schemes to encourage investment by SSI units in technology up-gradation. Government have also introduced the scheme of Credit Linked Capital Subsidy for the up-gradation of the Small Scale Industries.